Pekat Group

Third Time's a Charm

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OUTPERFORM ↔

Price : RM1.50

Target Price : RM1.68 ↔

PEKAT's 60%-owned EPE has secured its third TNB contract – a RM31m deal for maintenance, repair, and spare parts works involving air insulated switchgear (AIS) and gas insulated switchgear (GIS). This lifts EPE's YTD job wins to RM232m and pushes its order book to RM504m. With more TNB tenders in the pipeline, EPE is well on track to meet our FY25 job win target of RM300m. We maintain our forecasts and TP of RM1.68 with OUTPERFORM call.

PEKAT's 60%-owned EPE has secured a RM31.3m contract from TNB to do maintenance, servicing and repair works of air Insulated switchgear (AIS) and gas insulated switchgear (GIS), including the supply and installation of spare parts. The contract is for a fixed 2-year period until Aug 2027 with another one optional extension.

Record-high order book. We view this contract win positively as it lifts EPE's FY25 YTD job wins to RM232m (vs. our full-year assumption of RM300m). It also lifts EPE's outstanding order book to RM504m, keeping it busy for at least the next 18 months. We anticipate a high gross profit margin of 25%−30% from this job with maintenance, servicing and repair works typically fetching a higher margin.

Outlook. The government's aggressive push for RE with LSS5 and LSS5+ which are 4x bigger than LSS4's 800MW will unlock >RM10b in EPCC contracts. PEKAT, maintaining a steady ~5% market share, remains selective in LSS projects due to tight margins, and is making aggressive moves on the high-margin commercial and industrial (C&I) segment. It is on track to double its residential, and commercial and industrial (C&I) revenue to RM120m in FY25. Its newly acquired switchgear business, EPE, which is one of the top four MV switchgear suppliers to TNB, is a game changer, riding on TNB's massive RP4 capex with further upside from leveraging PEKAT's network to capture a larger slice of private sector deals like DCs. Hence, we estimate EPE's earnings will surpass the RM10m profit guarantee by 33%/54% in FY25/FY26.

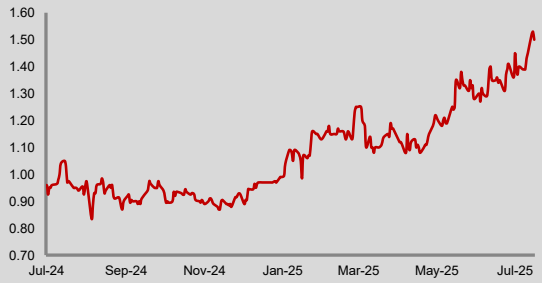
Forecasts. This latest job win is not a surprise. Hence, we maintain our FY25 order win forecast of RM300m for EPE, which is already factored in our earnings model. With EPE's RM504m current order book in hand, profits should exceed the RM10m guaranteed threshold.

Valuations. We maintain our TP of RM1.68 based on SoP valuation with a blended valuation of 20x FY26F PER (see Exhibit 2).

Investment thesis. We like PEKAT for: (i) capitalising on Malaysia's RE boom with a profitability-focused strategy, (ii) its newly acquired switchgear business which is a key under-estimated earnings driver, and (iii) its leading market share in ELP segment with bright prospects. Maintain **OUTPERFORM.**

Risks to our call include: (i) dependency on the government's RE policy, (ii) influx of new players in the EPCC space, intensifying competition, and (iii) escalation in solar panel prices and other project costs.

Share Price Performance



KLCI	1,526.98
YTD KLCI chg	-6.8%
YTD stock price chg	51.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEKAT MK EQUITY
Market Cap (RM m)	967.5
Shares Outstanding	645.0
52-week range (H)	1.55
52-week range (L)	0.82
3-mth avg. daily vol.	1,031,864
Free Float	34%
Beta	0.9

Major Shareholders

Chin Soo Mau	34.9%
Tai Yee Chee	8.8%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	291.1	613.4	679.4
EBIT	36.0	84.2	95.2
PBT	34.6	72.5	85.6
Net Profit	**22.8**	**55.1**	**65.0**
Core PATAMI	**22.2**	**46.5**	**55.1**
Consensus (NP)	-	47.7	53.4
Earnings Revision	-	-	-
Core EPS (sen)	3.4	7.2	8.5
Core EPS Growth (%)	62.1	109.7	18.4
NDPS (sen)	-	-	-
NTA per Share (RM)	0.3	0.4	0.5
PER (x)	43.6	20.8	17.6
PBV (x)	5.0	3.6	2.7
Net Gearing (x)	0.2	-	(0.2)
Net Div. Yield (%)	-	-	-

Exhibit 2: Sum-of-Parts (SoP) Valuation

Business/Asset	Value (RM m)	Basis
EPCC	730.9	30x FY26F PER
EPE Switchgear	236.9	16x FY26F PER
ELP	117.8	12x FY26F PER
CGPP	24.6	DCF with a discount rate of 5.5%
Other Solar Assets	35.0	DCF with a discount rate of 5.6%
Asset Valuation	**1,145.3**	
Proceed from private placement for future project	55.0	Net proceeds after debt repayment
Proceed from exercise of ESOS	19.4	16.6m outstanding ESOS @ RM1.17
	1,219.7	
Enlarged share base (m shares)	727.7	Including 16.6m shares from ESOS exercise and 66.2m new shares from the latest private placement
TP after ESG (RM/share)	**1.68**	

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
KJTS GROUP BHD	OP	1.44	2.12	47.2%	992.2	Y	12/2025	2.3	4.0	20.8%	71.1%	56.2	32.9	9.6	16.4%	0.5	0.4%
PEKAT GROUP BHD	OP	1.49	1.68	12.8%	961.5	Y	12/2025	7.2	8.5	109.0%	17.5%	20.9	17.8	3.7	24.0%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.23	1.43	16.2%	551.9	Y	06/2025	4.9	5.9	12.7%	21.6%	25.4	20.9	5.0	21.0%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.47	2.71	9.7%	1,893.0	Y	03/2026	9.2	10.9	35.8%	18.7%	27.0	22.7	4.9	20.2%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.37	NR	N.A.	236.3	Y	03/2026	2.4	2.7	21.8%	14.2%	15.8	14.1	N.A.	N.A.	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.270	0.600	122.2%	270.2	Y	09/2025	1.9	2.4	3.3%	26.3%	14.2	11.3	3.4	27.9%	0.0	0.0%
Sector Aggregate					**4,892.5**					**33.9%**	**28.2%**	**26.6**	**19.9**	**5.3**			**0.1%**

Source: Kenanga Research
**Note that Sunview numbers based on Bloomberg consensus*

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Renewables	★	★	☆		
	Reliable Energy & Fair Tariff	★	★	★	★	
	Effluent/Waste Management	★	★			
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★		
	Customer Satisfaction	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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